REMARKS

Reconsideration and allowance of the present patent application based on the following remarks are respectfully requested.

Claims 1, 9, 12, 13, 19 and 22 have been amended without the intention of narrowing the scope of these claims. Accordingly, after entry of this Amendment claims 1-2 and 4-24 will remain pending in the patent application.

Entry of this amendment is proper under 37 C.F.R. § 1.116 as the amendments: (a) place the application in condition for allowance for the reasons discussed herein; (b) do not raise any new issues that would require further consideration and/or search as the amendments merely amplify issues discussed throughout the prosecution; (c) do not present any additional claims without canceling a corresponding number of claims; and (d) place the application in better form for appeal, should an appeal be necessary. The amendments are necessary and were not earlier presented as they are in response to arguments raised in the final rejection. Entry of the Amendment is respectfully requested.

Claim Rejections – 35 USC §112

Claims 1, 7-9, 12, 13, 17-19, and 22 were rejected under 35 U.S.C. §112, second paragraph. Applicant respectfully traverses in part this rejection for at least the following reasons.

The Examiner contends that "randomly allocating", "allocated randomly", "allocating randomly", and "random allocations" are vague and indefinite. Applicant respectfully disagrees.

According to MPEP 2173.01, "A fundamental principle contained in 35 USC 112, second paragraph is that applicants are their own lexicographers. They can define in the claims what they regard as their invention essentially in whatever terms they choose so long as **>any special meaning assigned to a term is clearly set forth in the specification. See MPEP §2111.01< Applicant may use functional language, alternative expressions, negative limitations, or any style of expression or format of claim which makes clear the boundaries of the subject matter for which protection is sought. As noted by the court in *In re Swinehart*, 439 F.2d 210, 160 USPQ 226 (CCPA 1971), a claim may not be rejected solely because of the type of language used to define the subject matter for which patent protection is sought."

According to MPEP 2173.02, "The test for definiteness under 35 U.S.C. 112, second paragraph, is whether "those skilled in the art would understand what is claimed when the

claim is read in light of the specification." *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1576, 1 USPQ2d 1081, 1088 (Fed. Cir. 1986)."

Clearly, a term recited in a claim should be read in light of the specification. Since the term "randomly allocating" is defined in the specification as argued in the October 19, 2009 response, Applicant respectfully submit that the rejection of the claims under section 112, second paragraph is improper.

Applicant respectfully submits that "randomly allocating" is clear and defined in the specification. For example, Examiner's attention is directed to paragraph [0009] in specification where it is stated that "...allocating the securities to be sold beginning with a tax lot of a plurality of tax lots having a highest coast basis and proceeding to a tax lot with a lower cost basis. In another embodiment, the securities to be sold are allocated randomly to a plurality of tax lots. The securities are preferably allocated randomly, a plurality of times, to a plurality of tax lots associated with the securities to be sold. In this instance, an implied total short-term capital gain or loss that would result from the sale of the plurality of securities to be sold in accordance with each of the random allocations is computed and the allocation, from the plurality of random allocations, that results in the smallest implied short-term capital gain or loss or one that most closely matches a pre-set targeted short-term capital gain or loss is selected as the identified securities to be sold."

Furthermore, the term "random" is well understood in the art. For example, the term "random" is defined in The American Heritage Dictionary[1] as: 1. having no specific pattern, purpose, or objective. 2. *Mathematics & Statistics* Of or relating to a type of circumstance or event that is described by a probability distribution. 3. Of or relating to an event in which all outcomes are equally likely, as in the testing of a blood sample for the presence of a substance.

The Examiner, in providing, the definition of random provided by The Merriam-Webster Collegiate Dictionary, did not provide the full and/or alternate definitions of the term "random". In The Merriam-Webster Collegiate Dictionary, the term "random" is also defined as relating to, having, or being elements or events with definite probability of occurrence, or being or relating to a set or to an element of a set each of whose elements has equal probability of occurrence.

[1] The American Heritage® Dictionary of the English Language, Fourth Edition copyright ©2000 by Houghton Mifflin Company. Updated in 2009. Published by Houghton Mifflin Company. All rights reserved.

The Examiner contends that "rebalancing the investment portfolio if" is not limiting. The Examiner contends that this is a conditional limitation such that if the condition does not hold true, no limitation is claimed. Applicant respectfully traverses this rejection. However, in order to advance prosecution, Applicant has amended claims 1, 9, 12, 13, 19 and 22 and added the limitation "if the condition does not hold true".

Therefore, Applicant respectfully submits that claims 1, 7-9, 12, 13, 17-19, and 22 are fully compliant with §112, second paragraph. Thus, it is respectfully requested that the rejection of claims 1, 7-9, 12, 13, 17-19, and 22 under §112, second paragraph be withdrawn.

Claim Rejections – 35 USC §103

Claims 1, 2, 4, 5, 9-11, 13-15 and 19-21 were rejected under 35 U.S.C. §103(a) based on U.S. Pat. No. 6,687,681 to Schulz *et al.* (hereinafter "Schulz") in view of U.S. Pub. No. 2003/0229561 to Wallman (hereinafter "Wallman") in further view of U.S. Pub. No. 2002/0174045 to Arena et al. (hereinafter "Arena"). Applicant respectfully traverses this rejection for at least the following reasons.

Schulz discloses a method for automatically managing investment portfolios to substantially track a selected index and to automatically harvest tax losses. Schulz discloses an accounting system for maintaining tax lot information for individual accounts and an optimization system for rebalancing each account to substantially model the index and for harvesting tax losses (Abstract in Schulz). For each tax lot, the difference between the present market value of the security and a past historical value of the security is calculated and compared to a predetermined tax loss threshold. If the difference meets or exceeds the tax loss threshold, the security is sold to provide tax losses for offsetting gains in the portfolio (col. 2, lines 46-55 in Schulz). The investment portfolio is also periodically rebalanced based on capitalization weight parameter and an index balance parameter (so as to track the index fund) (see col. 2, lines 56-65 in Schulz).

Contrary to Examiner's contention Schulz does not disclose, teach or suggest rebalancing the investment portfolio if any of the short-term capital gain or loss falls within a threshold for short-term capital gains or losses. Indeed, Schulz simply rebalances the portfolio to track an index. Schulz does not track capital gains/losses.

Furthermore, as conceded by the Examiner in page 11 of the Office Action, Schulz does not disclose, teach or suggest randomly allocating the at least one investment portfolio security to at least one of a plurality of tax lots associated with the at least one investment

portfolio security to be sold and computing an implied total short-term capital gain or loss that would result from the sale of the at least one investment security from the at least one tax lot.

In response to the arguments filed on October 19, 2009, the Examiner, however, seems to state the contrary. The Examiner, in page 3 of the Office Action, contends that Schultz discloses "randomly allocating the at least one investment portfolio security to at least one of a plurality of tax lots associated with the at least one investment portfolio security to be sold." However, at page 11, paragraph 28 of the Office Action, the Examiner acknowledges that Schultz does not disclose "randomly allocating..." The Examiner is taking two opposite stances.

Moreover, the Examiner failed to consider the entirety of the claim limitations. The Examiner seems to have ignored Applicant's argument that Schulz does not disclose, teach or suggest rebalancing the investment portfolio if any of the short-term capital gain or loss falls within a threshold for short-term capital gains or losses. Schulz simply rebalances the portfolio to track an index. Schulz does not track capital gains/losses.

The Examiner contends that Wallman discloses identifying specific tax lots for each owner, and randomly allocating shares to each owner. The Examiner contends that it would have been obvious to one of ordinary skill in the art to modify Schulz's disclosure to include identifying specific tax lots and randomly allocating shares to each owner as taught by Wallman. Applicant respectfully disagrees.

Wallman discloses a method and system for converting collectively owned investment accounts and pooled investment accounts and vehicles into individually owned accounts (see paragraph 13 in Wallman). The system distributes the securities from the portfolio of the collective account into each of the portfolios for the individual owners in the proper percentages and amounts. The securities are distributed so that the mix of each of the portfolios of the individual owners is identical to the mix of the securities in the collective account portfolio before the distribution, and the value of the securities distributed to each of the portfolios of the individual owners is proportional to the ownership interest of the respective individual in the collective account (see paragraph 43 in Wallman).

There is nothing in Wallman that discloses, teaches or suggests randomly allocating the at least one investment portfolio security to at least one of a plurality of tax lots associated with the at least one investment portfolio security to be sold and computing an implied total

short-term capital gain or loss that would result from the sale of the at least one investment security from the at least one tax lot.

Clearly, Wallman does not randomly allocate an investment portfolio security to at least one of a plurality of tax lots. Furthermore, Wallman does not compute an implied total short-term capital gain or loss that would result from the sale of the at least one investment security from the at least one tax lot.

In response to the arguments filed on October 19, 2009, the Examiner point to paragraph 38 in Wallman and contends that Wallman discloses identifying tax lots and using random allocation of shares. The Examiner points to the passage in paragraph 38 where it is stated that "the manager can identify specific tax lots for each owner by clicking on the additional detail button....If necessary, fractional shares are created, or a random allocation or rounding algorithm could be used to provide whole shares only."

In fact, in paragraph 38, Wallman clearly shows that the investment security (share in Wallman) is not randomly allocated to at least one of a plurality of tax lots because the manager identifies specific tax lots for each owner (i.e., each shares owned by each owner) (see FIG. 2 and related description in paragraph 38 in Wallman). The shares in Wallman are not randomly allocated to tax lots. In Wallman, shares of an owner are allocated to a specific tax lot. With respect to the term "random allocation" in paragraph 38 in Wallman, this term is used in the context of when fractional shares are created (such as 0.80 in the table shown in FIG. 2), random allocation or rounding algorithm can be used to provide for whole shares only. Therefore, in Wallman, a random allocation is used to provide for whole shares when a fraction of a share is created. Clearly, in Wallman, the random allocation does not pertain to random allocation of shares to tax lots. As stated above, in Wallman, a tax lot is identified for each owner of the share(s).

The Examiner contends that it would have been obvious to modify Schulz's disclosure to include "randomly allocating shares to each owner" as taught by Wallman. Applicant respectfully disagrees.

Claim 1 recites, *inter alia*, "randomly allocating the at least one investment portfolio security to at least one of a plurality of tax lots associated with the at least one investment portfolio security to be sold." Hence, the investment portfolio is allocated to at least one of a plurality of tax lots. In contrast, in Wallman, shares are allocated to each owner and specific tax lots are identified for each owner by the manager (see paragraph 38 in Wallman). Consequently, in Wallman, shares are allocated to specific tax lots identified for each owner.

Clearly, the shares in Wallman are not randomly allocated to the tax lots as the tax lots in Wallman are identified/selected for each owner of the shares.

Therefore, even if one were to combine Schulz and Wallman in the manner suggested by the Examiner, the resulting method or system would simply fail to disclose, teach or even suggest the subject matter recited in claim 1.

The Examiner further concedes that neither Schulz nor Wallman discloses rebalancing the investment portfolio if a short-term capital gain or loss, which would result from the rebalancing of the investment portfolio, falls within a threshold for short-term capital gains or losses. The Examiner, however, contends that Arena discloses a system and method for cost effective relocation of assets among a plurality of investments (Abstract in Arena) and discloses rebalancing so as to minimize transaction costs including capital gain taxes, tax penalties, income taxes, surrender charges, commissions and transaction fees (paragraph 76 in Arena). The Examiner contends it would have been obvious to modify Schultz to account for short term capital gains as taught by Arena. Applicant respectfully disagrees.

Arena fails to remedy the deficiencies noted above in Schulz and Wallman, taken alone or in combination. Arena discloses a mechanism for allocating assets among a plurality of investment products held by a particular investor. The mechanism of Arena first determines whether the assets of all the products are consistent with the investor's desired models of investments (see, FIG. 2 in Arena). Then, instead of separately rebalancing each of the products when the products do not match the desired model, and thereby incurring transaction costs for each transaction, only one product may be rebalanced so that even if that product is not consistent with the model, the aggregation of all the products will be (see, paragraph 79 in Arena). The system in Arena rebalances to minimize transaction costs including capital gain taxes, tax penalties, income taxes, surrender charges, commissions and transaction fees (paragraph 76 in Arena).

However, the mechanism of Arena does not randomly allocate investment portfolio securities to tax lots associated with the investment portfolio securities nor does the mechanism of Arena compute the implied total short-term capital gain or loss that would result from the sale of the investment portfolio securities.

Furthermore, Arena does not rebalance the investment portfolio if any of the short-term capital gain or loss falls within a threshold for short-term capital gains or losses. Clearly, Arena does not randomly allocate an investment portfolio securities to associated tax lots,

compute the short-term capital gain/loss that would result from the sale of the securities and then rebalance if the computed short-term gain/loss falls within a threshold.

In response to the arguments filed on October 19, 2009, the Examiner contends that Arena discloses a system which manages the rebalancing of assets to achieve the composite asset allocation model so that the rebalancing incurs the least transaction cost. The Examiner contends that transaction costs may be comprised of, for example, capital gain taxes, tax penalties, income taxes, surrender charges, commissions, and transaction fees.

Applicant acknowledges that the system in Arena rebalances to minimize transaction costs including capital gain taxes, tax penalties, income taxes, surrender charges, commissions and transaction fees (paragraph 76 in Arena). However, Arena does not rebalance if a computed short-term gain/loss falls within a threshold. Arena rebalances the assets simply to minimize tax implications and does not rebalance if a gain/loss in the assets falls within a threshold. Arena does not compute gain/loss in the assets and compares the gain/loss to a threshold. In fact, Arena states in paragraph 76 that "the comparison of potential transaction costs may also be accomplished by first eliminating certain potential transactions (e.g., such as transactions that will incur a short term capital gain tax)." Therefore, Arena eliminates short term capital gain transactions so as to minimize taxes. Clearly, Arena does not determine if a computed short-term gain/loss falls within a threshold.

In addition, even if one were to combine Schulz, Wallman and Arena, as suggested by the Examiner, the resulting combination, if at all possible, would still not teach the method of claim 1. Indeed, Schulz does not disclose, teach or suggest rebalancing the investment portfolio if any of the short-term capital gain or loss falls within a threshold for short-term capital gains or losses. In addition, Schulz does not disclose, teach or suggest randomly allocating the at least one investment portfolio security to at least one of a plurality of tax lots associated with the at least one investment portfolio security to be sold and computing an implied total short-term capital gain or loss that would result from the sale of the at least one investment security from the at least one tax lot. Wallman also does not allocate an investment portfolio security to at least one of a plurality of tax lots, and does not compute an implied total short-term capital gain or loss that would result from the sale of the at least one investment security from the at least one tax lot. Arena does not randomly allocate investment portfolio securities to tax lots associated with the investment portfolio securities nor does the mechanism of Arena compute the implied total short-term capital gain or loss that would result from the sale of the investment portfolio securities, and Arena does not

rebalance the investment portfolio if any of the short-term capital gain or loss falls within a threshold for short-term capital gains or losses.

Clearly, none of Schulz, Wallman and Arena, taken alone or in combination, disclose, teach or suggest the subject matter recited in claim 1. Therefore, claim 1 is patentable over the purported combination of Schulz, Wallman and Arena.

Claim 13 is also patentable over the purported combination of Schultz, Wallman and Arena for at least the reasons provided above for claim 1. Claims 2, 4, 5, 9-11, 14-15 and 19-21 depend from claim 1 or claim 13. Therefore, claims 2, 4, 5, 9-11, 14-15 and 19-21 are patentable for at least the same reasons provided above for claims 1 and 13.

Therefore, it is respectfully requested that the rejection of claims 1, 2, 4, 5, 9-11, 13-15, and 19-21 under 35 U.S.C. §103(a) over the purported combination of Schulz, Wallman and Arena be withdrawn.

Claims 6-8, 12, 16-18 and 22 were rejected under 35 U.S.C. §103(a) based on Schulz in view of Wallman in further view of Arena and in further view of Francis ("Mutual-Fund Records Pay Off at Tax Time," Wall Street Journal, Eastern Edition, New York, N.Y., Nov. 16, 2001, pg. C1). Applicant respectfully traverses this rejection for at least the following reasons.

For at least the reasons provided above with respect to claim 1, Applicant respectfully submits that claim 12 is patentable over the purported combination of Schulz, Wallman and Arena. Claims 6-8, 16-18 and 22 which depend from claim 1 or claim 13 are also patentable over the purported combination of Schultz, Wallman and Arena.

Francis fails to cure the deficiencies noted above in the purported combination of Schulz, Wallman and Arena. Francis is relied upon as allegedly teaching using first-in, first out (FIFO) accounting and investors calculating fund gain or loss using specific share identification (specified lot sale) allowing investors to pick which lots of shares to sell.

Clearly, Francis does not disclose, teach or suggest randomly allocating the at least one investment portfolio security to at least one of a plurality of tax lots associated with the at least one investment portfolio security to be sold, as recited in claim 1. In addition, Francis does not disclose, teach or suggest computing an implied total short-term capital gain or loss that would result from the sale of the at least one investment security from the at least one tax lot, as recited in claim 1. Furthermore, Francis does not rebalance an investment portfolio if the calculated short-term capital gain or loss falls within a threshold for short-term capital gains or losses, as recited in claim 1.

Moreover, Francis does not allocate randomly, a plurality of times, the securities to be sold to a plurality of tax lots nor compute an implied shot-term capital gain/loss that would result from the sale of the plurality of securities in accordance with each of the random allocations, as recited in claim 12. In addition, Francis does not rebalance the investment portfolio if the implied short-term capital gain/loss for a selected random allocation falls within a threshold. Consequently, none of Schultz, Wallman, Arena and Francis, alone or in combination, disclose, teach or suggest the subject matter recited in independent claims 1, 12 and 13.

Therefore, Applicant respectfully submits that claim 12 and claims 6-8, 16-18 and 22 which depend from claim 1 or claim 13 are patentable over the purported combination of Schulz, Wallman, Arena and Francis. Thus, it is respectfully requested that the rejection of claims 6-8, 12, 16-18 and 22 under 35 U.S.C. §103(a) over the purported combination of Schulz, Wallman, Arena and Francis be withdrawn.

Claims 23 and 24 were rejected under 35 U.S.C. §103(a) based on Schulz in view of Wallman in further view of Arena and in further view of Official Notice. Applicant respectfully traverses this rejection for at least the following reasons.

Claims 23 and 24 depend from, respectively, claim 1 and claim 13. Therefore, for at least the reasons provided above with respect to claims 1 and 13, claims 23 and 24 are patentable over Schulz, Wallman and Arena, taken alone or in combination.

The Official Notice fails to overcome the deficiencies noted above in the purported combination of Schulz, Wallman and Arena. Therefore, Applicant respectfully submits that the purported combination of Schulz, Wallman and Arena in further view of the Official Notice also fails to disclose, teach or even suggest the subject matter recited in claim 1 or claim 13.

Therefore, for at least the above reason, Applicant respectfully submits that claim 23 and 24 which depend from, respectively, claim 1 and claim 13 are patentable over the purported combination of Schulz, Wallman and Arena in further view of the Official Notice.

Moreover, claim 23 and 24 are further patentable for the subject matter recited therein. Indeed, the Examiner takes Official Notice that one having ordinary skill in the art would use summing short-term gain or losses of each investment portfolio security to be sold. Applicant respectfully traverses the Official Notice.

In response to the arguments filed October 19, 2009, the Examiner contends that the traversing of the Official Notice is inadequate. The Examiner contends that failure to traverse the Official Notice is taken to be admitted prior art. Applicant respectfully disagrees.

In the response filed October, 2009, Applicant clearly traversed the combination of Schulz, Wallman, Arena and the Official Notice. Applicant stated that Official Notice unsupported by documentary evidence should only be taken by the Examiner where the facts asserted to be well-known, or to be common knowledge in the art are capable of instant and unquestionable demonstration as being well-known (see, MPEP 2144.3 A). It would not be appropriate for the Examiner to take official notice of facts without citing a prior art reference where the facts asserted to be well known are not capable of instant and unquestionable demonstration as being well-known. It is never appropriate to rely solely on "common knowledge" in the art without evidentiary support in the record, as the principal evidence upon which a rejection was based. *Zurko,* 258 F.3d at 1385, 59 USPQ2d at 1697.

The Examiner admits that "if the Examiner is relying on personal knowledge to support the finding of what is known in the art, the Examiner must provide an affidavit or declaration setting forth specific factual statements and explanation to support the finding." The Examiner clearly failed to provide such affidavit or declaration.

The Examiner states that without conceding to Applicant's arguments regarding Official Notice used in the rejections of claims 23 and 24, the Examiner cites Karp. Applicant submits that in relying upon Karp to provide for the "sum" limitation in claims 23 and 24, the Examiner concedes that the Official Notice is not sufficient to provide summing short term gains or losses.

In any case, Karp does not cure the deficiencies noted above in the combination of Schulz, Wallman and Arena. Karp does not disclose, teach or suggest randomly allocating the at least one investment portfolio security to at least one of a plurality of tax lots associated with the at least one investment portfolio security to be sold and computing an implied total short-term capital gain or loss that would result from the sale of the at least one investment security from the at least one tax lot, as recited in claim 1. Furthermore, Karp does not rebalance an investment portfolio if the calculated short-term capital gain or loss falls within a threshold for short-term capital gains or losses, as recited in claim 1. Consequently, the combination of Schultz, Wallman, Arena and Karp does not disclose, teach or suggest the subject matter recited in claims 23 and 24.

Therefore, Applicant respectfully submits that claims 23 and 24 are patentable over the purported combination of Schulz, Wallman, Arena and Karp. Thus, it is respectfully requested that the rejection of claims 23 and 24 under 35 U.S.C. §103(a) over the purported combination of Schultz, Wallman, Arena and Karp be withdrawn.

CONCLUSION

The rejections having been addressed, Applicant respectfully submits that the application is in condition for allowance, and a notice to that effect is earnestly solicited.

If any point remains in issue which the Examiner feels may be best resolved through a personal or telephone interview, please contact the undersigned at the telephone number listed below.

Please charge any fees associated with the submission of this paper to Deposit Account Number 033975. The Commissioner for Patents is also authorized to credit any over payments to the above-referenced Deposit Account.

Respectfully submitted,

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